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Iran Panel Is Told the C.I.A. Assailed Bid to Free Hostages

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WASHINGTON, Aug. 26 — The White House kept alive an effort in 1986 to ransom the American hostages in Lebanon even though the Central Intelligence Agency believed the intermediaries were trying to steal the money, according to testimony and documents made public today by the Iran-contra committees.

The material sheds new light on the Administration's desperate attempts to free hostages, some of which were characterized by Clair George, the C.I.A.'s chief operations officer, as "harebrained schemes."

Mr. George's declassified testimony, made public today, contends that President Reagan and William J. Casey, then the Director of Central Intelligence, were overcome by "emotionalism" about the fate of the hostages, causing senior officials "to do and to run operations that are now, after the fact, foolish."

C.I.A. Was Skeptical

The C.I.A. documents show that the agency was consistently skeptical about an operation using two Drug Enforcement Administration agents that was put together by Lieut. Col. Oliver L. North, then a National Security Council aide.

Under the plan, which Robert C. McFarlane, the former national security adviser, testified had been approved by President Reagan, \$2 million in private money was to be used to gain the release of two hostages.

The Administration was willing to raise as much as \$10 million in private funds and was prepared to give the money directly to the groups holding the hostages, a C.I.A. document said.

But according to the document, at a June 5 meeting, Mr. Casey told Rear Adm. John M. Poindexter, then national security adviser, of a "suggested effort to ransom the hostages from Hizballah," a reference to the terrorist group also known as the Party of God that was believed to hold the hostages. "He indicated that this might cost as much as \$10 M that could be raised privately."

A principal justification for the Iran arms dealings that were initially advanced by President Reagan in his speeches was that the United States

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had dealt with Iran, not the kidnapers.

The officials were sensitive to the apparent contradictions with the Administration's policy of not capitulating to terrorists. The memo said that Admiral Poindexter "agreed to talk to the President to see if this kind of approach could be pursued privately, given the Administration's policy on ransom."

'A Brutal, Ugly Story'

That same month, two D.E.A. agents took the first steps in their operation, paying \$200,000 to an intermediary who then reneged on his promises, according to Congressional officials who have investigated the D.E.A. operation. The money has not been recovered.

Mr. George's testimony and the documents indicate that from the beginning, the C.I.A. believed the intermediaries were dishonest.

After the hostages were taken in 1984 and 1985, "we began to get feelers," Mr. George said. "It was a brutal, ugly story, but people were selling information, selling hostages, selling their rings, selling their clothes, selling letters, trying to make money out of the hostage business."

Casey Was Sensitive to Critics

"This was hocus pocus," said Mr. George of the D.E.A. agents' operation. "I asked my experts" — a section here was blacked out in the declassified transcripts — "and we came to the decision that they were — it was a big scam. No big surprise. There was nothing to get excited about. We were scammed regularly on the hostage business and others."

Mr. George said that Mr. Casey pursued some of the more dubious operations backed by the White House because he was sensitive to criticisms that his agency's operatives were timid and overly bureaucratic.

"Let you in on a secret," Mr. George said. "The way to handle Bill Casey was to outflank him to the right, charge him with being less than adventurous, suggest that maybe he wasn't ready to take high risk."

Mr. George said Mr. Casey's relish for risk-taking was one reason that he maintained a close relationship with Colonel North.

"Bill Casey was the last great buccaneer from O.S.S.," said Mr. George, referring to the forerunner of the C.I.A.

"He was dropping agents into Germany and France and saving lives when most of us were doing nothing. This was a great guy, Bill Casey, and he saw in Ollie North a part of that, and he liked Ollie. But you could get to Casey and say, 'Ollie is crazy,' and Casey would change his mind."

Agency's Advice Overlooked

Other documents and testimony released this week show that the C.I.A.'s advice was often overlooked in the Iran affair. They also show that, on some occasions, the agency reneged on promises to keep Congress informed and was split by bitter internal rivalries over the Iran dealings.

Among these disclosures were the testimony by Alan Fiers, the chief of the agency's Central America task force, that the C.I.A. had failed to provide a complete set of its intelligence reporting on Central America to the House Select Committee on Intelligence.

Representative Louis Stokes, the Ohio Democrat who is chairman of the House intelligence committee, disclosed that in 1985, the agency withheld three reports on the Nicaraguan rebels, known as contras. He said the agency had agreed to provide its raw reports to a House committee staff member, Richard Giza.

Mr. Stokes said one of the reports disclosed the involvement of Richard V. Secord, a retired Air Force major general, in buying arms for the contras in March 1985; another said the air resupply operations began in November 1985, and the third mentioned arms shipments by South Africa to the rebels.

A 'Technical Slip-Up'

Mr. Fiers insisted that the withholding of these documents was a "technical slip-up" by a lower-level employee of the agency. "It was no attempt to hide them from anybody," he said.

The Congressional select committees also released a document showing that the White House overruled the vehement objections of John McMahon, the C.I.A.'s deputy director, to the planned sharing of military-intelligence data with Iran in 1986.

Mr. McMahon said that by providing a detailed map showing the position and numbers of Iraqi forces to Iran, "We were tilting in a direction that could cause the Iranians to have a successful offense against the Iraqis with cataclysmic results."